

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

1. TRANSMITTAL NUMBER:
03-09

2. STATE
Kentucky

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE
4/01/03

5. TYPE OF PLAN MATERIAL (*Check One*):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (*Separate Transmittal for each amendment*)

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 447.331 through 447.334

7. FEDERAL BUDGET IMPACT:

a. FFY 2003 \$ (5.5 million)

b. FFY 2004 \$ (10.9 million)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-B, Page 20.1

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (*If Applicable*):
Same

10. SUBJECT OF AMENDMENT:
Reimbursement for Drugs

11. GOVERNOR'S REVIEW (*Check One*):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED: Review delegated
to Commissioner, Department for Medicaid
Services

12. SIGNATURE OF STATE AGENCY OFFICIAL:

Mike Robinson

13. TYPED NAME: Mike Robinson

14. TITLE: Commissioner, Department for Medicaid Services

15. DATE SUBMITTED:

5/28/03

16. RETURN TO:

Frances McGraw
Eligibility Policy Branch
Department for Medicaid Services
275 East Main Street 6W-C
Frankfort, Kentucky 40621

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:
May 28, 2003

18. DATE APPROVED:
July 21, 2003

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

April 1, 2003

21. TYPED NAME:

Rhonda R. Cottrell

20. SIGNATURE OF REGIONAL OFFICIAL:

Hugh L. Nabata for Rhonda Cottrell

22. TITLE: Associate Regional Administrator
Division of Medicaid & Children's Health

23. REMARKS:

Approved with the following change:

Item 1 changed from "03-09" to "03-009"

Methods and Standards for Establishing Payment Rates – Other Types of Care

I. Drugs

A. Reimbursement

1. Participating pharmacies are reimbursed for the cost of the drug plus a dispensing fee. Payments shall not exceed the upper limits specified in 42 CFR 447.331 through 447.334.
2. Participating dispensing physicians are reimbursed for the cost of the drug only.
3. Providers will be reimbursed only for drugs supplied from pharmaceutical manufacturers who have signed a rebate agreement.

B. Payment Limits – Payment for the cost of drugs shall be the lesser of:

1. The Federal Maximum Allowable Cost (FMAC) of the drug for multiple source drugs other than those brand name drugs for which a prescriber has certified in writing as “brand medically necessary” or “brand Necessary”;
2. The State Maximum Allowable Cost (SMAC) as described in Section C. below if a FMAC is unavailable;
3. The Estimated Acquisition Cost (EAC) of the drug that has been established by the Department to be equal to the average wholesale price (AWP) minus twelve (12) percent; or
4. The provider’s usual and customary charge.

State Maximum Allowable Cost (SMAC)

The SMAC will be based on the lowest price for an individual drug multiplied by 150%. The lowest price for a drug will be obtained from a nationally recognized comprehensive data file maintained by a vendor under contract with the Department.